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In the Supreme Court of the United States

OCTOBER TERM, 1932.

No. 57.

GENERAL ELECTRIC COMPANY AND
CARBOLOY COMPANY, INC.,
Petitioners,

vs.

THE MARVEL RARE METALS COMPANY,
THE OHIO INSTRUMENT MANUFACTURING COMPANY,
CHARLES L. GEBAUER AND C. F. W. BATES,
Respondents.

BRIEF IN BEHALF OF RESPONDENTS.

THE MARVEL RARE METALS COMPANY,
THE OHIO INSTRUMENT MANUFACTURING COMPANY,
CHARLES L. GEBAUER AND C. F. W. BATES,
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THE GATES LEGAL PUBLISHING CO., CLEVELAND, O.

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BRIEF IN BEHALF OF RESPONDENTS.

STATEMENT OF CASE.

Respondents, hereinafter referred to as defendants, supplement the statement of petitioners, hereinafter referred to as plaintiffs, as follows:

Defendants' answer filed June 11, 1931 denied infringement (paragraph 9 of answer, Tr. p. 7), alleged that the patents sued upon are completely invalid and void for the reason that the invention and all substantial parts thereof were fully set forth and described in certain letters patent issued to defendant Charles L. Gebauer (paragraph 13 of answer, Tr. p. 8), and alleged public use by defendants more than two years prior to the patents sued upon. (Paragraph 15 of answer, Tr. p. 9.) The answer also included a counterclaim against plaintiffs for infringement

of one of the Gebauer patents set up in anticipation of plaintiffs patents. (Paragraphs 18 to 27 of answer, Tr. pp. 10-13, paragraph 20a added by amendment, Tr. pp. 14, 15.)

Plaintiffs filed a motion June 29, 1931 to dismiss the counterclaim on three grounds.

(1) That the court has no jurisdiction thereof.

(2) That there is a misjoinder of parties.

(3) That said counterclaim does not set forth facts sufficient to constitute a valid cause of action or a counterclaim in equity against these defendants. (Tr. p. 14.)

Defendants on July 21, 1931 moved to amend their answer by addition of paragraph 20a alleging acts of infringement by plaintiffs. (Tr. pp. 14, 15.)

An order dismissing the counterclaim without stating grounds of dismissal was entered Sept. 9, 1931. (Tr. pp. 15, 16.)

An order granting leave to amend answer was entered Sept. 9, 1931. (Tr. p. 16.)

In their decision of March 11, 1932, the Circuit Court of Appeals stated that the District Court had dismissed the counterclaim "as not germaine to the cause of action set forth in the bill of complaint." (Tr. p. 38.)

In their memorandum supporting their petition for rehearing, the plaintiffs asserted that defendants' amendment to the answer substantially eliminated the second and third grounds of their motion to dismiss the counterclaim, leaving only the first ground, namely, lack of jurisdiction. (Tr. p. 44.)

The memorandum then brings into the record for the first time the question of jurisdiction over the person of plaintiffs.

The questions brought up for review are:

(1) Was the order of the District Court in this case dismissing the counterclaim, which asked for an injunction, appealable?

(2) Did the District Court have jurisdiction over the person of the plaintiffs for the purpose of the counterclaim?

SUMMARY OF ARGUMENT.

RIGHT OF APPEAL.

The Courts in the Third, Fifth and Sixth Circuits have construed title 28, Sec. 227 U. S. Code, Sec. 129 Jud. Code, according to its plain and obvious meaning without implied limitations with respect to the character of the hearing, the wording of the order or decree or the nature of the injunctive relief denied and affirm the right of appeal from an interlocutory order dismissing a portion of a bill of complaint or a counterclaim in which injunctive relief is asked.

Ward Baking Co. et al. v. Weber Bros., 230 F. 142, C. C. A. 3d;

Historical Publishing Co. v. Jones Bro. Publishing Co., 231 Fed. 638, C. C. A. 3d;

Banco Mercantil Americano de Cuba v. Taggart Coal Co., 276 Fed. 388, C. C. A. 5th;

Emery et al. v. Central Trust & Safe Deposit Co., 204 Fed. 965, C. C. A. 6th;

Naivette, Inc., v. Philad Co., et al., 54 Fed. 2nd 623, C. C. A. 6th.

The Court of Appeals of the Second Circuit has construed the same section in three decisions, two of which deny the right of appeal in a patent suit from an order dismissing a counterclaim in which an injunction is asked for.

Radio Corporation of America v. J. H. Bunnell Co., 298 Fed. 62, C. C. A. 2nd;

Allied Metal Stamping Co. v. Standard Electric Equipment Corp'n., 55 Fed. 2nd 221, C. C. A. 2nd;

Cincinnati Car Co. v. N. Y. Rapid Transit Corp'n., 52 Fed. 2nd 44, C. C. A. 2nd.

The *Radio Corporation* and the *Allied Metal Stamping Company* cases imply limitations in the meaning of this Section, which, though not precisely defined, are held to exclude appeals from orders dismissing a counterclaim in which an injunction is asked.

The *Cincinnati Car Company* case adopts a line of reasoning apparently contrary to that in the *Radio Corporation* and *Allied Metal Stamping Co.* cases but consistent with the construction of the statute in the Third, Fifth and Sixth Circuits.

The decision of the Courts in the Third, Fifth and Sixth Circuits offer a construction founded solidly on the unambiguous language of the statute, which leaves no uncertainties as to the application of the statute to future cases.

The decisions of the Court of Appeals of the Second Circuit are based on the less secure foundation of abstruse legal reasoning, adopting different constructions as applied to different situations, and leaving to conjecture the meaning of the section as it may apply to future cases.

> "The plain, obvious and rational meaning of a statute is always to be preferred to any curious narrow hidden sense that nothing but the exigency of a hard case and the ingenuity and study of an acute and powerful intellect would discover."

Lynch v. Alworth-Stephens Co., 267 U. S. 367; 69 L. E. 660;

Old Colony Ry. Co. v. Commissioner of Internal Revenue, 76 L. E. 317; Feb. 15, 1932;

Lynch v. Alworth-Stephens Co., 294 Fed. 190, C. C. A. 8th;

United States v. Missouri Pacific Ry. Co., 213 Fed. 169, C. C. A. 8th.

Equity rule 30 is intended to permit in so far as practicable determination at one hearing of all equitable controversies between the parties, even though the bill and counterclaim set forth independent causes of action.

American Mills Co. v. American Surety Co., 260 U. S. 360, 67 L. E. 306.

Dismissal of a counterclaim for infringement of a patent other than that upon which the bill is based deprives a defendant of a right which Equity rule 30 intends to confer, since the rights of both parties cannot be determined in a hearing on the original bill. In this respect the facts of the present case differ from the facts considered in

Bowker v. United States, 186 U. S. 134, 46 L. E. 1090.

Since the counterclaim constitutes a separable cause of action which must be sustained by proof not admissible in defense of the original bill, final determination of the issues by a single decision and a single appeal from such decision may be prevented unless bill and counterclaim are treated as co-ordinate to the extent of considering dismissal of the counterclaim an order as final as one dismissing the original bill. The finality of a decree or order is determined by its substance and effect, not by its form.

Rosenberg Bros. & Co., Inc. v. Curtis-Brown Co., 260 U. S. 516, 67 L. E. 372.

JURISDICTION.

That plaintiffs by filing suit in the District Court submitted themselves to the jurisdiction of the court for purposes of a counterclaim is authoritatively settled by the decision in

Leman v. Krentler Arnold Hinge Last Co., 76 L. E. 336, Feb. 15, 1932.

The plaintiffs' motion to dismiss the counterclaim did not raise the question of jurisdiction over the person, but was a pleading directed to the merits of the case. Even if plaintiffs had not subjected themselves to the jurisdiction of the court by filing the bill, they did so by filing a motion to dismiss the counterclaim on the ground that the bill did not set set forth a valid cause of action.

St. Louis & San Francisco Ry. Co. v. McBride, 141 U. S. 127, 35 L. E. 659;

Grable v. Killetts, 282 Fed. 185, C. C. A. 6th;

Gulf Smokeless Coal Co. v. Sutton, Steele & Steele, 35 Fed. 2d 433, C. C. A. 4th;

Sandusky Foundry & Machine Co. v. DeLavaud, 251 Fed. 631, D. C. N. D. Ohio E. D.

ARGUMENT.

Right of Appeal Under Sec. 129 Judicial Code.

The decision of the Circuit Court of Appeals of the Third Circuit in *Ward Baking Company v. Weber Bros.*, 230 Fed. 142, is a very carefully considered decision by Judge McPherson which reviews the history of Sec. 129, Jud. Code, beginning with Section 7 of the Act of March 3, 1891, establishing the Circuit Court of Appeals and considering the successive amendments to this Section during the period between the Act of 1891 and the Act of March 3, 1911, establishing the Judicial Code, and the construc-

tion which the Courts have given to the original Section and the successive amendments thereto.

The *Ward Baking Co.* case was a suit for infringement of certain patents and the appeal to the Court of Appeals was from a decree holding certain claims of these patents valid and infringed, other claims invalid and others not infringed.

The decree appealed from did not place the defendants under an injunction, but merely ordered them to account.

The appeal was taken by plaintiff and was justified by the Court of Appeals on the grounds that it was an appeal refusing an injunction.

Sec. 7 of the Act of 1891 establishing the Circuit Courts of Appeal (Act of March 3, 1891, c. 517) provided as follows:

> "* * * Where, upon a hearing in equity in a District Court, or in an existing Circuit Court, an injunction shall be granted or continued by an interlocutory order or decree, in a cause in which an appeal from a final decree may be taken under the provisions of this Act to the Circuit Court of Appeals, an appeal may be taken from such interlocutory order or decree granting or continuing such injunction to the Circuit Court of Appeals."

The Act of February 18, 1895, c. 96, 28 Stat. 666, changed Section 7 to read:

> "Where, upon a hearing in equity in a District Court, an injunction shall be granted, continued, refused, or dissolved by an interlocutory order or decree, or an application to dissolve an injunction shall be refused, in a case in which an appeal from a final decree may be taken under the provisions of this act to the Circuit Court of Appeals, an appeal may be taken from such interlocutory order or decree granting, continuing, refusing, dissolving, or refusing to dissolve an injunction to the Circuit Court of Appeals."

The Act of June 6, 1900, c. 803, 31 Stat. 660, changed this Section to read as follows:

> "Where, upon a hearing in equity in a District Court or in a Circuit Court, or by a judge thereof in vacation, an injunction shall be granted or continued, or a receiver appointed, by an interlocutory order or decree, in a cause in which an appeal from a final decree may be taken under the provisions of this Act to the Circuit Court of Appeals, an appeal may be taken from such interlocutory order or decree granting or continuing such injunction or appointing such receiver to the Circuit Court of Appeals." (Act April 14, 1906, c. 1627, 34 Stat. 116.)

The Act of March 3, 1911, c. 231, 36 Stat. 1134, incorporates this section in paragraph 2 of Section 129, Judicial Code, which reads as follows:

> "Where, upon a hearing in equity in a District Court, or by a judge thereof in vacation, an injunction shall be granted, continued, refused, or dissolved by an interlocutory order or decree, or an application to dissolve an injunction shall be refused, or an interlocutory order or decree shall be made appointing a receiver, an appeal may be taken from such interlocutory order or decree granting, continuing, refusing, dissolving, or refusing to dissolve, an injunction, or appointing a receiver, to the Circuit Court of Appeals, notwithstanding an appeal in such case might, upon final decree under the statutes regulating the same, be taken directly to the Supreme Court."

It will be noted that Section 7 of the Act of 1891 originally provided for appeals only from interlocutory orders or decrees granting or continuing an injunction.

The Act of February 1895 enlarged the right of appeal to include interlocutory orders or decrees refusing or dissolving an injunction or refusing an application to dissolve an injunction.

The Act of June 6, 1900, eliminated the right of appeal from an interlocutory order or decree refusing or dissolv-

ing an injunction or refusing an application to dissolve an injunction and added the right of appeal from an order appointing a receiver.

The Act of March 3, 1911, amended the Act of June 6, 1900, by reinserting the language of the Act of February 18, 1895, permitting appeals from interlocutory orders or decrees, refusing or dissolving an injunction, or refusing an application to dissolve an injunction.

During the five years intervening between the Acts of 1895 and the Act of 1900, this section was construed in a number of decisions but, apparently, the question as to what constitutes an interlocutory order or decree, refusing an injunction was not considered.

Under Sec. 7 of the Act of 1891, it was established that an appeal could be taken from an interlocutory decree in a patent infringement suit granting an injunction, and, that, upon such an appeal, the Court of Appeals may consider and decide the merits of the case. (*Smith v. Vulcan Iron Works,* 165 U. S. 518, 41 L. E. 810.)

Under the same section as amended by the Act of June 6, 1900, it was established that in a patent infringement case where a decision was in part favorable to plaintiff and in part favorable to defendant, some claims being held valid and infringed and other claims held void or not infringed, defendant could appeal but the plaintiff could not maintain a cross appeal. (*Ex parte National Enameling Co.,* 201 U. S. 156, 50 L. E. 707.)

Under the Statute then in force, as pointed out in *Page Machine Company v. Dow, Jones & Company,* 168 Fed. 704, C. C. A. 2nd, the Circuit Court of Appeals might be forced to consider two appeals on practically the same record sometimes years apart before final determination of the controversy.

Judge McPherson, in the *Ward Baking Company* case apparently assumed that the amendment of the Section

embodied in the Act of March 3, 1911, was intended to remedy the defect pointed out in *Page Mach. Company* case and, affirmed the right, under Section 129, of the plaintiff in a patent infringement suit to appeal from a decree holding certain of these claims invalid on the ground that the decree was one refusing the plaintiff an injunction, with the following comment:

> "In other words, since the plaintiff is the party adversely affected by the refusal or the dissolution of an injunction, the section now gives the plaintiff the right to appeal therefrom. This covers the situation where a bill has been dismissed as to certain claims of a patent, whether the dismissal be put on the ground that the claims are void or on the ground that they have not been infringed; for there can be no more effectual refusal of an injunction than to dismiss the bill that asks for such relief."

The *Ward Baking Company* case itself presented an awkward situation in that, while the plaintiff was allowed an appeal, the defendant was held not to be entitled to maintain a cross appeal since the decree did not place the defendants under an injunction. This situation was apparently intended to be remedied by the Act of February 28, 1927, C. 228, 44 Stat. 1261, Title 28, Sec. 227a U. S. Code, which reads as follows:

> "When in any suit in equity for the infringement of Letters Patent for inventions a decree is rendered which is final except for the order of an accounting. An appeal may be taken from such decree to the Circuit Court of Appeals provided that such appeal be taken within thirty days from the entry of such decree or from February 28, 1927, and the proceedings upon the accounting in the court below shall not be stayed unless so ordered by that court during the pendency of such appeal."

It is apparent from the history of this section that the consistent purpose of Congress in the amendments of March

3, 1911 and February 28, 1927, was to simplify court procedure and to restrict cases insofar as possible to a single trial and a single appeal.

In view of the character of these amendments, they are clearly entitled to liberal interpretation. It is, therefore, believed that Judge McPherson was right in judging the order by its effect rather than its form and in his conclusion that there can be no more effectual refusal of an injunction than to dismiss the bill that asks for such relief.

It was concluded by the Court in the *Ward Baking Company* case that dismissal of a bill as to some of the claims alleged to be infringed is a refusal of an injunction. Certainly the dismissal of the entire bill is the refusal of an injunction, and it would not seem to be material upon what grounds or at what state of the proceedings the court dismisses the bill, there being nothing in the statute limiting it in this respect.

In *Historical Publishing Co. v. Jones Bros. Publishing Co.*, 231 Fed. 638, suit was brought for infringement of two copyrights and, after a hearing on pleadings and proofs, the bill was dismissed as to one of the copyrights "for lack of proof of title in the plaintiffs at any date prior to the filing of the bill." Plaintiff's right of appeal in this case was sustained, Judge McPherson expressing the opinion of the court as follows:

> "The motion rests upon the authority of *Ex parte National Enameling Co.*, 201 U. S. 156, 26 Sup. Ct. 404, 50 L. Ed. 707, and need not be discussed at length, as we have had occasion recently to examine and decide the same question in *Ward Baking Co. v. Weber Bros.*, 230 Fed. 142, C. C. A. The opinion in that case will be reported in due season, but we may restate briefly what was there decided, namely: That section 129 of the Judicial Code allows a plaintiff to appeal, if an injunction be refused or dissolved by an interlocutory

order or decree (thus remedying the situation presented in *Ex parte National Enameling Co.*); and that the partial dismissal of such a bill as the one before us is the clear equivalent of a refusal. The motion to dismiss is therefore overruled."

In *Banco Mercantil Americano de Cuba v. Taggart Coal Company,* 276 Fed. 388, the Circuit Court of Appeals of the Fifth Circuit held that an order dismissing a bill from the equity side of the court and transferring it to the law side was appealable under Sec. 129, Judicial Code. In this case the bill alleged indebtedness of defendant to the complainant and that, under a contract, certain property in possession of defendant was held by defendant in trust for complainant and prayed for an injunction to restrain transfer of this property. Defendant in that case moved to dismiss the appeal and the court's decision as to the right of appeal was as follows:

"The bill prayed for an accounting, that a trust in favor of the appellant be decreed and impressed upon the coal that remained unsold, and that appellees be required to deliver to appellant the notes and trade acceptances, and the proceeds derived from the sales which still remained in their hands, and that they be enjoined from disposing of any coal in their possession, and from negotiating or incumbering the notes and trade acceptances remaining in their custody or control, and for general relief.

"Appellees move to dismiss the appeal on the ground that the decree of the District Court was not final within the meaning of section 128 of the Judicial Code (Comp. St. Art. 1120).

"It need not be decided whether an order that dismisses a bill from the equity side of the court and transfers it to the law side under Equity Rule 22 (198 Fed. XXIV, 115 C. C. A. XXIV) is final or interlocutory, for the reason that in this suit an injunction is prayed for and in effect denied, and the order entered, though not final, may be appealed from under section 129 of

the Judicial Code (Comp. St. Art. 1121). The Motion to dismiss the appeal is denied."

In *Emery et al. v. Central Trust & Safe Deposit Co.*, 204 Fed. 965, the Court of Appeals of the Sixth Circuit considered the right of appeal on the dismissal of a cross bill asking for a stay of proceedings. It was held in that case that the particular cross bill under consideration asked for a stay in the case in which the stay would operate, and was therefore not asking for an injunction. The appeal was for this reason denied, but the court expressed the opinion that had the cross bill asked for a stay of proceedings in another case, an order dismissing the cross bill would have been appealable. In this connection the Court said:

> "Appellants base the right of appeal on section 129 of the Judicial Code, which gives an appeal from an order or decree in equity granting or refusing an injunction. They contend that the dismissal of the cross-bill was a denial of the requested stay of proceedings in the two original suits, and that an injunction was thus denied within the meaning of section 129 of the Code. We think an order refusing a stay of proceedings, made in a case other than that in which the stay is operative, amounts to a denial of an injunction, under the section invoked, but that an order refusing a stay, made in the case in which the desired stay would operate, would not amount to such denial of injunction."

In *Naivette v. Philad Co.*, 54 Fed. 2d. 623, the Circuit Court of Appeals of the Sixth Circuit held that an order striking out a counterclaim seeking injunction against alleged unfair competition was appealable under Section 129 of the Judicial Code. In this case, defendant's answer stated a counterclaim based on unfair competition by the plaintiff against the defendant and concluded with a paragraph praying that the bill be dismissed, that an injunction

be issued against the plaintiff to restrain the unfair competition and that plaintiff account to the defendant for the damages caused thereby. In this decision, the court refers to its former decision in *Kelsey Wheel Co. v. Universal Rim Co.*, 296 Fed. 616 C. C. A. 6th, in which it had been held that an interlocutory decree holding some claims valid and other claims invalid, could be appealed from by the plaintiff under Sec. 129 Jud. Code, the facts of the *Kelsey* case being on all fours with the *Ward Baking Company* case above referred to.

In the *Naivette* case, the Court considered the facts in the *Kelsey Wheel Co.* case "analogous to if not identical with" the facts presented in the *Naivette* case.

The cases above discussed adopt the simple and obvious construction of the statute and assume that the statute means exactly what it says. They do not assume, and there is no apparent reason for assuming that the order or decree appealed from must be an express denial of injunctive relief or that the hearing upon which the order or decree is based must be a final hearing. The *Ward Baking Co.* case and the *Kelsey Wheel Co.* case very reasonably infer that granting an injunction only on some of the claims sued upon is a refusal of an injunction as to the remaining claims, and these cases as well as the *Historical Publishing Co.* case are based upon the principle that dismissal of a bill is a refusal of each and every prayer of the bill.

In *Radio Corporation of America et al. v. J. H. Bunnell & Co., Inc.*, 298 Fed. 62, the Circuit Court of Appeals of the Second Circuit held that appeal does not lie under Section 129 of the Jud. Code from an order dismissing a counterclaim in a patent infringement suit in which, among other things, injunctive relief against the plaintiff or some of them was asked. In this case the Court disposed of the matter as follows:

"Nor could any appeal be taken under Judicial Code, Article 129 Comp. St. Art. 1121. That well-known section does not grant the right of appeal when in a District Court 'an injunction shall be * * * refused * * *'; but such appeal must be taken from an 'interlocutory order or decree * * * refusing * * * an injunction. * * *' No order was ever entered herein refusing an injunction, if for no other reason than that no injunction was ever formally asked for.

"This section of the Judicial Code cannot be invoked to sustain the right of appeal, where no question of the right to injunctive relief is raised, or even suggested."

The obvious implication of this decision is that the interlocutory decree or order must be in the form of an order or a decree refusing an injunction, and that the decree or order must be a decision on a motion for injunction. The decision is contrary to the reasoning in the *Ward Baking Company* case and the *Historical Publishing Co.* case decided by the Circuit Court of Appeals in the Third Circuit and contrary to the reasoning in the *Banco* case in the Fifth Circuit, since in none of these cases did the order specifically refuse an injunction. The decision cites the *Emery* case from the Sixth Circuit, but merely as authority for holding that the decree was not final and without referring to the opinion expressed therein as to the effect of dismissing a cross bill asking for stay of proceedings in a case other than that in which the bill is brought.

In *Allied Metal Stamping Co. Inc. v. Standard Electric Equipment Corp'n,* 55 Fed. 2nd, 221, the Court of Appeals of the Second Circuit decided a case exactly parallel with the present case. In a suit for patent infringement the defendant's answer set up a counterclaim against the plaintiff for the infringement of another patent. The plaintiff moved to dismiss the counterclaim for lack of jurisdiction on the ground that plaintiff was not

shown to have been guilty of the infringement in the Eastern District of New York. The motion to dismiss was granted and the defendant appealed. In its decision the court referred to the *Naivette* case, Sixth Circuit, but it adhered to the ruling in the *Radio Corporation* case, holding that such an order is not so clearly a refusal of an interlocutory injunction as to authorize an appeal.

In *Cincinnati Car Co. v. New York Rapid Transit Corp.*, 52 Fed. 2d. 44, the Court of Appeals of the Second Circuit held an order appealable under the following state of facts. The suit was for infringement of a patent and the Court had entered a decree upholding the validity of the patent and giving leave for defendant to submit to the master a substitute construction which defendant alleged avoided infringement, and authorizing the master to receive evidence from both parties on the question of infringement and report his findings. The Master found that neither of the patents in suit was infringed by the substitute construction. His report was confirmed and plaintiffs appealed from the order confirming the master's report. In this case the Court said:

> "In the instant case, all that is embraced in the appeal pertains directly to the subject matter of the order; the facts were fully presented and considered below; the whole record is before us, and a decision, which will dispose of this new controversy can be made now as well as later. We are of the opinion that such an appeal comes within Jud. Code, Art. 129, as amended (28 U. S. C. A. Art. 227), and proceed to consider the merits."

This decree certainly was not a direct refusal of an injunction, such as the Court said was necessary in the *Radio Corporation* case. If it modified the injunction already granted, it was only in a very indirect way. Furthermore, it was not a refusal of a prayer by plaintiff for an injunction.

The *Cincinnati Car Company* case is directly in line with the *Ward Baking Company* and *Historical Publishing Co.* cases in the Second Circuit and is a rather liberal interpretation of the statute, as distinguished from the limited and technical interpretation placed on the Statute in the *Radio Corporation* and the *Allied Metal Stamping Company* cases.

The decisions in the 3rd, 5th and 6th circuits judge the interlocutory order by its effect and not by its terms which we submit is the correct way to interpret the Statute to give effect to the intent of Congress. It is reasonable to assume that Sec. 129 should be interpreted liberally enough to enable it to correct the deficiency in practice pointed out in the *Page Machine Company* case, *i.e.*, to prevent successive appeals.

The *Cincinnati Car Company* case seems to imply that the order or decree must follows a full hearing on the merits of the case. There is no qualification in the Statute, however, as to the character of the hearing upon which the decree or order is granted and the same reasoning which would justify an appeal from a decree after a final hearing would justify an appeal from a dismissal of a bill or counterclaim, or a part of a bill or counterclaim, asking for injunctive relief prior to final hearing as was done in the present case. Allowing a plaintiff to appeal from a decree holding some of his claims invalid or not infringed is a reasonable interpretation of the Statute in that it will make unnecessary separate appeals by the defendant and plaintiff which may be years apart. Hearing an appeal from an order dismissing the counterclaim prior to final hearing will have the same beneficial result. The benefit of allowing such an appeal is even greater than allowing a plaintiff a cross appeal, since in addition to making unnecessary a second appeal on the merits it will make un-

necessary a second hearing on the merits in the lower court. For example, if it be held that an order dismissing a counterclaim prior to final hearing is not appealable, the lower court must proceed to hearing on the plaintiff's case after dismissing such a counterclaim. If the plaintiff's patent is sustained in whole or in part a decree is entered granting plaintiff an injunction and referring the case to a Master. The defendant may appeal and the plaintiff may also appeal if the decision is unfavorable as to some of his claims. If the Court of Appeals should hold that the order dismissing the counterclaim was improperly granted the case will be remanded for a hearing on defendant's counterclaim. If the decision is favorable on defendant's counterclaim an injunction is granted and the second reference is made to the master. From this decision either the plaintiff alone or both the plaintiff and defendant may take another appeal.

A construction wholly consistent with the language of the section which corrects deficiencies in practice which are obviously intended to be corrected should be preferable to a harsh and technical rule such as has been applied in the Second Circuit. It is believed that the rule stated by Judge Sanborn in *Lynch v. Alworth-Stephens Company,* 294 Fed. 190, C. C. A. 8th, applies with particular force to the facts of the present case. This rule which has been quoted with approval by the Supreme Court in an appeal from the decision above referred to, 267 U. S. 367; 69 L. E. 660, and also in *Old Colony Ry. Co. v. Commissioner of Internal Revenue,* 76 L. E. 317 is as follows:

> "The plain obvious and rational meaning of a Statute is always to be preferred to any curious, narrow hidden sense that nothing but the exigency of a hard case and the ingenuity and study of an acute or a powerful intellect would discover."

A decree or order dismissing a counterclaim is as conclusive in character when rendered upon a motion to dismiss for lack of jurisdiction as when such a counterclaim is dismissed after a final hearing by an interlocutory decree after a final hearing. If Congress had intended to introduce any such limitation as implied in the decisions in the Second Circuit, such limitation would have been expressly stated in the Statute.

It is believed that the decisions in the Second Circuit are contrary to the rule of construction stated by Judge Sanborn in *U. S. v. Missouri Pacific Ry. Co.*, 213 Fed. 169, C. C. A. 8th:

> "But where the legislative body makes no exception to a general and clear declaration of its will, the conclusive presumption is that it intended to make none, and it is not the province of the courts to do so. *Madden v. Lancaster Co.*, 65 Fed. 188, 195, 12 C. C. A. 566, 573; *Omaha Water Co. v. City of Omaha*, 147 Fed. 1, 13, 77 C. C. A. 267, 279, 12 L. R. A. (N. S.) 736, 8 Ann. Cas. 614; *Armour Packing Co. v. United States*, 153 Fed. 1, 18, 21, 82 C. C. A. 135, 152, 155, 14 L. R. A. (N. S.) 400; *Lafayette Co. v. Wonderly*, 92 Fed. 313, 316, 34 C. C. A. 360, 363; *Webber v. St. Paul City Ry. Co.*, 97 Fed. 140, 143, 38 C. C. A. 79, 82."

It is also believed that the rational, sensible and practical interpretation of the Statute which is best designed to further the purpose of the Act is that adopted by the Court of Appeals for the Sixth Circuit.

In *U. S. v. Missouri Pacific Ry. Co.*, Judge Sanborn said:

> "Another approved rule of construction is that a rational, sensible and practical interpretation of a Statute, one which will permit the accomplishment of the purpose of the Act, should be preferred to one which is unreasonable or impracticable, or that would hinder or retard the accomplishment of that purpose.

United States v. Ninety-nine Diamonds, 139 Fed. 961, 965, 72 C. C. A. 9, 13, 2 L. R. A. (N. S.) 185; *Stevens v. Nave-McCord Mercantile Co.,* 150 Fed. 70, 75, 80 C. C. A. 25, 29; *American Bonding Co. v. Pueblo Investment Co.,* 150 Fed. 17, 27, 80 C. C. A. 97, 107, 9 L. R. A. (N. S.) 557, 10 Ann. Cas. 357; *McPhee & McGinnity Co. v. Union Pacific Ry. Co.,* 158 Fed. 5, 17 87 C. C. A. 619, 631."

The case of *Pearce v. National Bank of Commerce,* 282 Fed. 100, C. C. A. 8th, while not directly in point is not inconsistent with the ruling in the Third, Fifth and Sixth Circuits. In that case the court held that, on an appeal from an order striking out parts of a cross complaint and specifically denying an injunction for which the cross complaint also asks, was limited to a consideration of the portion of the order denying the injunction.

It would be consistent with the *Pearce* case to hold that a general order dismissing the entire cross complaint would have been an order denying an injunction and appealable. To assume that, because the court in the *Pearce* case struck out portions of the cross-complaint on one ground and dismissed the portion of the cross-complaint asking for injunction in a separate paragraph of the decree or order, the decree was appealable, but that the decree would not have been appealable if the order had dismissed the entire cross-complaint without the specific reference to the injunction, would seem to be a highly technical interpretation of the Statute.

The case of *Magnetic Mfg. Co. v. Magnetic Separator Co.,* 37 Fed. 2d 709, C. C. A. 7, is not pertinent at all since the granting of a rehearing is within the discretion of the trial court and is a separate proceeding.

DECISION FINAL.

The second paragraph of Equity Rule 30* as it is construed in *American Mills Co. v. American Surety Co.*, 67 Law. Ed. 309, is intended to permit the defendant in an equity suit to set up a counterclaim of an equitable character, even though this counterclaim is not related to the subject matter of the bill. In this connection Chief Justice Taft said:

> "The counterclaim referred to in the first part of the paragraph must therefore be an equitable counterclaim,—one which, like the set-off or counterclaim referred to in the next clause, could be made the subject of an independent bill in equity. The counterclaim and the set-off and counterclaim in the two clauses are *in pari materia* except that the first grows out of the subject-matter of the bill and the other does not. That which grows out of the subject-matter of the bill must be set up in the interest of an end of litigation. That which does not may be set up, if the defendant wishes, in one proceeding in equity quickly to settle all equitable issues capable of trial between them in such a proceeding, even though they are not related. *Buffalo Specialty Co. v. Van Cleef*, 217 Fed. 91. The formality of cross bills is not required, and the rule goes as far as possible to facilitate the prompt disposition of equitable controversies between the same litigants. The rule should be liberally construed to carry out its evident purpose of shortening litigation, but the limitation of counterclaims to those which are equitable is imperative."

Rule 30, Second Paragraph.

*"'The answer must state in short and simple form any counterclaim arising out of the transaction which is the subject-matter of the suit, and may, without cross-bill, set out any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him, and such set-off or counterclaim, so set up, shall have the same effect as a cross-suit, so as to enable the court to pronounce a final judgment in the same suit both on the original and cross-claims."

The intent of the rule is to permit a defendant, by means of a counterclaim, to have a hearing on an equitable cause of action against the plaintiff in the action brought by the plaintiff, and the defendant should not be handicapped in the presentation of his cause of action by rules not specifically imposed by statute which operate against him and not against the plaintiff. For example, if after filing of a bill of complaint a defendant desires to raise the question of jurisdiction over the person he must do so before answering, and if the bill of complaint is dismissed, plaintiff has an immediate right of appeal. Should not a similar order dismissing a defendant's counterclaim which presents a separate cause of action against the plaintiff be also considered a final decision? Otherwise the defendant may be denied the benefit of the privilege extended him by Rule 30 of having his cause of action heard at the same time as that of plaintiff.

Doubt was expressed on this point in *Buffalo Specialty Mfg. Co. v. Van Cleef et al.*, 217 Fed. 92, D. C. Ill. E. D., Sept. 16, 1914, the Court stating that it was inclined to the opinion that the decree of dismissal in such a case is not final, citing *Bowker v. U. S.*, 186 U. S. 135, 46 L. Ed. 1090.

The *Bowker* case, however, presented a situation quite different from a patent infringement suit such as the present. In an action for damages resulting from a collision, as was pointed out in the *Bowker* case, the hearing would determine whether the plaintiff or the defendant was at fault, even though the cross-bill of the defendant has been striken out.

In a patent infringement case, however, where the plaintiff sues on one patent and defendant's counterclaim on another, the denial of an appeal from an order striking out of defendant's counterclaim, deprives defendant of his right to have his claim heard at the same time as plaintiffs, and if after the final hearing, defendant appeals, and it is

found that his counterclaim should not have been dismissed, a second trial is necessary, from which a second appeal may be taken.

The fact that a formal final decree or order may not have been entered does not preclude an appeal. In *Rosenberg Bros. & Co. Inc. v. Curtis-Brown Company,* 260 U. S. 516, 67 L. E. 372, it was held that an order quashing a summons because defendant was not subject to the jurisdiction of the Court was final so as to be reviewable by the Supreme Court although the action was not formally dismissed.

The question as to what constitutes a final decision is purely a matter of judicial determination, and it is believed that the decision of the District Court in this case should be held to be a final decision.

JURISDICTION.

Waiver by Bringing Suit.

The right of defendants in this case to bring a counterclaim against the plaintiff is unquestionable in view of the recent decision in this Court in the case of *Leman v. Krentler-Arnold Hinge Last Co.,* 76 L. E. 338, which affirmed the right of a defendant to maintain a counterclaim against a plaintiff not a resident of the District in which the suit was brought.

This case was a civil action for contempt for violation of a permanent injunction granted in a previous infringement suit.

In the previous suit *Krentler-Arnold Hinge Last Co. v. Leman,* 13 Fed. 2nd 796, C. C. A. 1st, brought in the Federal District Court for the District of Massachusetts, for infringement of a patent, defendant had set up a counterclaim for infringement of a patent owned by defendant. The bill of complaint was dismissed and an injunction was issued on the counterclaim.

Jurisdiction over the person of the defendant in the civil suit was questioned. Chief Justice Hughes, in delivering the opinion of the Court, held that the Court by which a permanent injunction has been granted, retains jurisdiction over the person against whom the injunction was issued and that process upon him is not prerequisite to civil contempt proceedings for violation of the injunction.

On the question of jurisdiction, Chief Justice Hughes said:

> "When the respondent brought the suit in the Federal District Court for the District of Massachusetts, it submitted itself to the jurisdiction of the Court with respect to all the issues embraced in the suit, including those pertaining to the counterclaim of the defendants, petitioners here. Equity Rule 30. See *Langdell, Eq. Pl.*, Chap. 5, Article 119; *Frank L. Young Co. v. McNeal-Edwards Co.*, 283 U. S. 398, 400, 75 L. Ed. 1140, 1141, 51 S. Ct. 538."

The previous case referred to was an equity suit in which an injunction was granted and could not have been governed by the Conformity Act, Title 28, Sec. 724 U. S. Code* as suggested by plaintiffs, since this Act specifically excludes suits in equity.

As pointed out in the *Buffalo Specialty Co. v. Van Cleef*, 217 Fed. 92, Equity Rule 30 is quite similar to Sec. 3 of Order 19 of the English Orders (Stat. Rules and Orders of 1912, p. 1781, Annual practice of 1908, p. 234).

Title 28, Section 724

*"The practice, pleadings, and forms and modes of proceeding in civil causes, other than equity and admiralty causes, in the district courts, shall conform, as near as may be, to the practice, pleadings, and forms and modes of proceeding existing at the time in like causes in the courts of record of the State within which such district courts are held, any rule of court to the contrary notwithstanding."

The English rule is as follows:

> "A defendant in an action may set off, or set up by way of counterclaim against the claims of the plaintiff, any right or claim, whether such set-off or counterclaim sound in damages or not, and such set-off or counterclaim shall have the same effect as a cross-action, so as to enable the court to pronounce a final judgment in the same action, both on the original and on the cross claim. But the registrar or the judge may, on the application of the plaintiff before trial, if in opinion of the registrar or judge such set-off or counterclaim cannot be conveniently disposed of in the pending action, or ought not to be allowed, refuse permission to the defendant to avail himself thereof."

In the *Buffalo Specialty Co.* case it is also pointed out that a foreign plaintiff by invoking the jurisdiction of an English Court consents to be sued there by a counter action.

It would seem that the right of a defendant to counterclaim against a non-resident plaintiff in an equity suit might well be based upon the maxim of equity that he who seeks equity must do it.

Waiver by Pleading to Merits.

Assuming for purposes of argument, that Plaintiffs had a right to question the jurisdiction of the Court over the person of each of the Plaintiffs, they waived that right by their motion of June 29, 1931 to dismiss the counterclaim (Tr. p. 14). The first paragraph of the motion reads as follows:

> "Now come the plaintiffs, General Electric Company and Carboloy Company, Inc., by their attorneys, and move that the counterclaim set up in the defendants' Answer in the above entitled cause be dismissed on the grounds (1) that this court has no jurisdiction thereof, (2) that there is a misjoinder of parties in said counterclaim, and (3) that the (fol. 16) said

counterclaim does not set forth facts sufficient to constitute a valid cause of action or a counterclaim in equity against these plaintiffs."

In *St. Louis and San Francisco Ry. Co. v. McBride*, 141 U. S. 127, 35 L. E. 659, a demurrer, which in addition to raising the question of jurisdiction was directed to the merits, was held to be a waiver of jurisdictional privileges. In this connection, the court said:

> "Its demurrer, as appears, was based on three grounds—two referring to the question of jurisdiction, and the third, that the complaint did not state facts sufficient to constitute a cause of action. There was, therefore, in the first instance, a general appearance to the merits. If the case was one of which the court could take jurisdiction, such an appearance waives not only all defects in the service, but all special privileges of the defendant in respect to the particular court in which the action is brought."

In this case there is a thorough exposition of the construction to be placed on Acts of Congress prescribing the place where a person may be sued.*

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*"In *Ex Parte Schollenberger*, 96 U. S. 369, 378 (24:853, 855), Chief Justice Waite said 'The Act of Congress prescribing the place where a person may be sued is not one affecting the general jurisdiction of the courts. It is rather in the nature of a personal exemption in favor of a defendant, and it is one which he may waive.' The Judiciary Act of 1789 (P. 11, 1 Stat. 79), besides giving general jurisdiction to circuit courts over suits between citizens of different States, further provided, generally, that no civil suit should be brought before either of said courts, against an inhabitant of the United States, by any original process, in any other district than that of which he was an inhabitant, or in which he should be found. In the case of *Toland v. Sprague*, 37 U. S. 12 Pet. 300, 330 (9:1093, 1105), it appeared that the defendant was not an inhabitant of the State in which the suit was brought, nor found therein. In that case the court observed: 'It appears

In *Sandusky Machine Co. v. DeLavaud,* 251 Fed., 631 D. C. N. D. Ohio, E. D. the transitory character of suits

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that the party appeared and pleaded to issue. Now, if the case were one of a want of jurisdiction in the court, it would not, according to well-established principles, be competent for the parties by any acts of theirs to give it. But that is not the case. The court had jurisdiction over the parties and the matter in dispute; the objection was that the party defendant, not being an inhabitant of Pennsylvania, nor found therein, personal process could not reach him. * * * Now, this was a personal privilege or exemption, which it was competent for the party to waive. The cases of *Pollard v. Dwight,* 8 U. S. 4 Cranch, 421 (2:666), and *Barry v. Foyles,* 26 U. S. 1 Pet. 311 (7:157), are decisive to show that, after appearance and plea, the case stands as if the suit were brought in the usual manner. And the first of these cases proves that exemption from liability to process, and that in case of foreign attachment, too, is a personal privilege, which may be waived, and that appearing and pleading will produce that waiver.' In *Lexington v. Butler,* 81 U. S. 14 Wall., 282 (20:809), the jurisdiction of the circuit court over a controversy between citizens of different States was sustained in a case removed from the state court, although it was conceded that the suit could not have been commenced in the first instance in the circuit court. See also *Claflin v. Commonwealth Ins. Co.,* 110 U. S. 81 (28:76).

Without multiplying authorities on this question, it is obvious that the party who in the first instance appears and pleads to the merits waives any right to challenge thereafter the jurisdiction of the court on the ground that the suit has been brought in the wrong district. *Charlotte National Bank v. Morgan,* 132 U. S. 141 (33:282); *Fitzgerald & M. Const. Co. v. Fitzgerald,* 137 U. S. 98 (34:608)."

arising under the patent laws, the privilege conferred by section 48, Judicial Code (Title 28, Sec. 109, U. S. Code)* and how such privileges may be waived is discussed as follows:

> "A suit arising under the patent laws is transitory and not local in character, and, except for the limitations of section 48, Judicial Code, might be brought in any district in which the defendant could be served. General jurisdiction is conferred by section 24, Judicial Code (Comp. St. 1916, Art. 991), over all actions arising under the patent laws of the United States. The jurisdiction, therefore, of this court exists, no matter where the infringement was committed, unless section 48 takes away that jurisdiction. The proper rule, in my opinion, is that section 48 should have the same construction as section 51 of the Judicial Code; that is to say, it does not take away the jurisdiction of the District Court in patent cases, but prescribes merely the district in which such a suit may be brought, and is a privilege conferred upon a defendant, which he may waive. In other words, in suits arising under the patent laws, a defendant has a right to insist on the privilege of being sued in a district of which he is an inhabitant, or in a district where he shall have committed acts of infringement and have a

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Title 28, Sec. 109

*"In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business. If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought."

regular and established place of business; in other causes of action, the defendant is entitled to insist that he shall be sued in the district of which he is an inhabitant, or, if jurisdiction is invoked only because of diversity of citizenship, in the district of which either the plaintiff or defendant is a resident. This, however, is a personal privilege respecting only the forum within which the action may be maintained. It is a privilege upon which the defendant only may insist, and which he may waive. He will be held to have waived it if he does not, prior to entering a general appearance to the action, take objection in proper form to the jurisdiction of the court over him. This holding has been made in actions arising under the patent laws in the following cases: *General Electric Co. v. Wagner Electric Co.* (C. C.) 123 Fed. 101; *U. S. Raisin Co. v. Phoenix Raisin & Packing Co.* (C. C.) 124 Fed. 234; *Thomson-Houston Electric Co. v. Electrose Mfg. Co.* (C. C.) 155 Fed. 543; *U. S. Expansion Bolt Co. v. Kroncke Hardware Co.* (D. C.) 216 Fed. 186. See, also, *Walker on Patents* (5th Ed.) Art. 389.

"The question involved is common to all causes of action cognizable in a federal court, and this holding has been made in actions other than those arising under the patent laws in the following cases: *First National Bank v. Morgan,* 132 U. S. 141, 10 Sup. Ct. 37, 33 L. Ed. 282; *Central Trust Co. v. McGeorge,* 151 U. S. 129, 14 Sup. Ct. 286, 38 L. Ed. 98; *Interior Construction Co. v. Gibney,* 160 U. S. 217, 16 Sup. Ct. 272, 40 L. Ed. 401; *In re Moore,* 209 U. S. 491, 28 Sup. Ct. 585, 706, 52 L. Ed. 904, 14 Ann. Cas. 1164; *Western Loan Co. v. Butte Mining Co.,* 210 U. S. 368, 28 Sup. Ct. 720, 52 L. Ed. 1101; *Kreigh v. Westinghouse Co.,* 214 U. S. 249, 29 Sup. Ct. 619, 53 L. Ed. 984."

In *Gulf Smokeless Coal Co. v. Sutton Steele & Steele et al.,* 35 Fed. 2d. 433, C. C. A. 4th, it was pointed out that motions to dismiss have taken the place of demurrers under the old practice and that a motion to dismiss on the grounds that the bill does not state a cause of action is a waiver of jurisdictional privileges.

In this connection the Court said:

"The Roberts & Schaefer Company has clearly waived the benefit of the statute in this case. After an order was entered allowing amendment of the bill to make it a party, it filed a motion that it be dismissed from the suit for a number of reasons, among which was the following:

"'(c) Because the plaintiff's bill makes no material and proper averments against it, charging infringement or participating in infringement of any of plaintiff's patents.' This was nothing more nor less than a motion to dismiss the bill as to the Roberts & Schaefer Company, because of its failure to allege a cause of action against that company—a motion which under the new equity rules has taken the place of demurrer under the old practice. See Rule 29 (see 28 U. S. C. A. Art. 723). There can be no question that such a motion, which invokes the judgment of the court as to the sufficiency of the pleading, amounts to a general appearance. Even though it be coupled with a motion to dismiss on jurisdictional grounds, it waives the question of jurisdiction; for one will not be heard to invoke and deny jurisdiction in the same breath. *Jones v. Andrews,* 10 Wall. 327, 332, 19 L. Ed. 935; *St. Louis & S. F. R. Co. v. McBride,* 141 U. S. 127, 11 S. Ct. 982, 35 L. Ed. 659; *Edgell v. Felder* (C. C. A. 5th) 84 F. 69; *Christensen v. Christensen* (D. C.) 14 F. (2d) 475; *Nelson v. Husted* (C. C.) 182 F. 921; *Cyclopedia of Federal Procedure,* vol. 3, p. 427."

The same conclusion is reached in *Grable v. Killetts,* 282 Fed. 185; C. C. A. 6th.

The plaintiffs in this case after raising the question of the merits of defendants' counterclaim waived the privilege of objecting to jurisdiction of the court over its person and had no right to raise this question before the Court of Appeals.

There is ample authority for Supreme Court Equity Rule 30 under U. S. Code, Title 28, sec. 730,* and the jurisdictional privilege under Title 28, Sec. 109, is one which may be waived and which is waived by a general appearance.

In the present case the filing of the bill was a general appearance and also the motion to dismiss the counterclaim on the ground that it set forth no cause of action in equity was also a general appearance.

CONCLUSION.

As to Defendants' right of appeal, it is believed that a liberal construction of Section 129 of the Judicial Code in accordance with the decisions in the 3rd, 5th and 6th circuits should be adopted in preference to the narrow and technical definition of the words "order * * * refusing" set forth in the *Radio Corporation* and *Allied Metal Stamping* cases by the Circuit Court of Appeals of the Second Circuit, particularly, in view of the fact that this definition is inconsistent with the decision of the same court in the *Cincinnati Car Co.* case.

If it be held that the words "order * * * refusing" means that the order must in terms refuse an injunction, as implied in the *Radio Corporation* and *Allied Metal Stamp-*

Title 28, Sec. 730

*"The Supreme Court shall have power to prescribe, from time to time, and in any manner not inconsistent with any law of the United States, the forms of writs and other process, the modes of framing and filing proceedings and pleadings, of taking and obtaining evidence, of obtaining discovery, of proceeding to obtain relief, of drawing up, entering, and enrolling decrees, and of proceeding before trustees appointed by the court, and generally to regulate the whole practice, to be used, in suits in equity or admiralty, by the district courts."

ing Co. cases, it is not clear how an order, declaring that a certain structure is not an infringement of a patent, refuses an injunction, as was held by the same court in the *Cincinnati Car Co.* case.

We do not believe that this narrow interpretation is the natural and obvious construction, nor that it is the one best calculated to render effective the intent of the Act.

While in the past very few orders prior to trial of a case have been considered final orders, it is believed that an order dismissing a counterclaim in an equity case, which sets up a separate cause of action against a plaintiff, should be so considered for the reason that such an order precludes defendant from having his claim in issue at the trial and may result in a second trial and a second appeal.

As to the question of jurisdiction, it is believed that plaintiffs submitted to the jurisdiction of the Court for the purpose of the counterclaim by filing their Bill of Complaint, and that their motion to dismiss, going to the merits of the counterclaim, was a waiver of jurisdictional privileges.

Respectfully submitted,

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